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INFO OCT-01 NEA-06 ISO-00 OMB-01 CIEP-01 CIAE-00 DODE-00

PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01

PRS-01 SP-02 SS-15 USIA-06 COME-00 EB-07 LAB-04

SIL-01 TRSE-00 IO-10 INT-05 FEAE-00 /090 W

----- 025633

R 111551Z DEC 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5042

INFO USINT ALGIERS

AMEMBASSY TUNIS

AMEMBASSY RABAT

AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 01 OF 02 PARIS 29701

E.O. 11652: GDS

TAGS: PFOR, FR, AG, ENRG

SUBJECT: VISIT OF FRENCH INTERIOR MINISTER PONIATOWSKI
TO ALGERIA

SUMMARY: THE FRENCH CONSIDER PONIATOWSKI'S RECENT VISIT TO ALGERIA TO HAVE BEEN AN IMPORTANT STEP IN MOVING TOWARD SETTLEMENT OF SEVERAL OUTSTANDING ISSUES BETWEEN THE TWO COUNTRIES (BLOCKED BANK ACCOUNTS, DOUBLE TAXATION, CONDITIONS OF ALGERIAN IMMIGRANT WORKERS, FRENCH PRISONERS IN ALGERIA, COMPENSATION FOR NATIONALIZATION). WHILE IT LIFTED ITS OPPOSITION TO GISCARD'S PROPOSED ENERGY CONFERENCE, ALGERIA IS NOT IN FAVOR OF IT, AND STILL PREFERS AN INTERNATIONAL CONFERENCE WHICH WOULD CONSIDER ALL RAW MATERIALS. BOTH SIDES APPEAR TO ATTACH CONSIDERABLE IMPORTANCE TO STRENGTHENING THEIR BILATERAL RELATIONS. END SUMMARY

1. THE DECEMBER 2 - 4 VISIT OF MINISTER OF STATE, MINISTER OF INTERIOR PONIATOWSKI TO ALGERIA HAS BEEN
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WIDELY AND FAVORABLY COVERED IN THE FRENCH PRESS WITH

HEADLINES UNDERLINING PONIATOWSKI'S STATEMENT THAT ALL THE "CONTENTIEUX" BETWEEN THE TWO COUNTRIES HAD BEEN SETTLED. ACCORDING TO FOREIGN MINISTRY SOURCES, PROGRESS WAS MUCH LESS EVIDENT ALTHOUGH MUCH WAS ACCOMPLISHED TO REDUCE THE OUTSTANDING DISPUTES BETWEEN FRANCE AND ITS FORMER COLONY.

2. JOSE PAOLI, QUAI DEPUTY DIRECTOR FOR ALGERIA, DESCRIBED THE PONIATOWSKI VISIT AS ONE IN A SERIES OF HIGH LEVEL EXCHANGES WHICH THE ALGERIANS HAVE URGED ON THE FRENCH. THE FRENCH BELIEVE THAT THE ALGERIANS WISH SUCH VISITS IN ORDER TO DEMONSTRATE THAT THE PAST HAS BEEN FORGOTTEN AND TO ADD TO ALGERIAN PRESTIGE; THE ALGERIANS ARE "FLATTERED" BY SUCH VISITS AND ARE PARTICULARLY PLEASED WHEN A FORMER PROPONENT OF "ALGERIE FRANCAISE", LIKE PONIATOWSKI, COMES TO PAY THEM COURT.

3. THE MAJOR ACCOMPLISHMENTS OF THE VISIT WERE BILATERAL, ACCORDING TO PAOLI AND JACQUES NIZARD OF THE QUAI ECONOMIC DIVISION. FURTHER PROGRESS WAS MADE ON UNBLOCKING ALGERIAN BANK ACCOUNTS HELD BY REPATRIATED PIED NOIRS ALTHOUGH TRANSFERS FROM MANY OTHER FRENCH-HELD ACCOUNTS ARE STILL TOTALLY BLOCKED. THE FRENCH HOPE THAT FURTHER MOVEMENT ON THIS MATTER WILL BE MADE DURING PRESIDENT GISCARD'S PLANNED MARCH 1975 VISIT TO ALGIERS AND THAT ALL ACCOUNTS WILL BE UNBLOCKED, AT LEAST IN THEORY, BEFORE 1976.

4. MENTIONING DOUBLE TAXATION AS ANOTHER IMPORTANT PROBLEM, PAOLI SAID THAT DESPITE THE FRANCO-ALGERIAN DOUBLE-TAXATION AGREEMENT, THE ALGERIANS HAVE CONTINUED TO TAX FRENCH FIRMS HEADQUARTERED IN ALGERIA WHICH ARE ALREADY SUBJECT TO FRENCH TAXATION. HE SAID THE ALGERIANS PROMISED TO CHANGE THIS PRACTICE AND TO CONFORM TO THE EXISTING AGREEMENT BUT THE FRENCH ARE SKEPTICAL ABOUT THEIR DOING SO.

5. THE QUESTION OF ALGERIAN IMMIGRANT WORKERS IN FRANCE WAS ALSO A PRIME SUBJECT OF DISCUSSION. FOR THE ALGERIANS, PAOLI SAID, THE MOST IMPORTANT ASPECT OF THE

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MATTER IS THE "SECURITY AND DIGNITY" OF ALGERIANS IN FRANCE, AND HE THOUGHT THE ALGERIAN GOVERNMENT HAD FULLY ACCEPTED PONIATOWSKI'S PROMISES OF BETTER CONDITIONS FOR WORKERS LIVING HERE. PAOLI COMMENTED THAT WHILE THE ALGERIAN GOVERNMENT IS ALSO INTERESTED IN BETTER HOUSING AND IN TRAINING FOR ALGERIANS IN FRANCE, IT REALIZES THAT THE FRENCH GOVERNMENT CAN BE ONLY marginally EFFECTIVE IN THESE AREAS AND THAT RADICALLY IMPROVED

HOUSING AND PROFESSIONAL TRAINING WOULD LEAD TO THE PERMANENT SETTLEMENT IN FRANCE OF ALGERIAN WORKERS, A SITUATION WHICH THE ALGERIAN GOVERNMENT WISHES TO AVOID. TECHNICALLY THE FLOW OF ALGERIAN IMMIGRANT LABOR IS STILL RESTRAINED BY THE ALGERIAN GOVERNMENT, BUT THE FRENCH BELIEVE THE ALGERIAN GOVERNMENT WOULD LIKE TO RESUME IT IN ORDER TO REDUCE UNEMPLOYMENT AT

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PRS-01 SP-02 SS-15 USIA-06 COME-00 EB-07 LAB-04

SIL-01 TRSE-00 IO-10 INT-05 FEAE-00 /090 W

----- 025741

R 111551Z DEC 74

FM AMEMBASSY PARIS

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HOME. HOWEVER, NO OFFICIAL REQUEST TO THE FRENCH HAS BEEN MADE SINCE THE ALGERIANS KNOW THAT GIVEN ITS OWN ECONOMIC PROBLEMS, FRANCE WOULD NOT BE WILLING TO ADMIT ADDITIONAL ALGERIAN WORKERS.

6. AS FOR ALGERIAN PROMISES TO LIBERATE A NUMBER OF FRENCHMEN IMPRISONED FOR "ECONOMIC MISDEMEANORS", PAOLI WAS ONCE AGAIN DUBIOUS THAT MUCH PROGRESS WOULD BE MADE BEFORE GISCARD'S VISIT TO ALGERIA.

7. PAOLI EMPHASIZED THAT ANY CLAIM THAT THE "CONTENTIEUX" HAVE BEEN SETTLED WOULD OF COURSE HAVE TO BE BASED ON THE ASSUMPTION THAT THE VAST AMOUNT OF LAND AND BUILDINGS SEIZED IN 1962-3 BY THE ALGERIANS HAD BEEN COMPLETELY WRITTEN OFF. IN FACT, PAOLI SAID, THE GOF HAS FORGOTTEN THESE CLAIMS BUT DOES EXPECT ADEQUATE COMPENSATION FOR NATIONALIZATIONS WHICH HAVE OCCURRED SINCE THE 1965 BILATERAL ACCORD AND WHICH ARE CONFIDENTIAL

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EXPECTED TO CONTINUE. GIVEN THE FACT THAT ALGERIA NATIONALIZED A FRENCH FIRM THE DAY AFTER PONIATOWSKI'S DEPARTURE WITHOUT BOTHERING TO MENTION COMPENSATION, THE FRENCH ARE, ONCE AGAIN, SKEPTICAL ABOUT ALGERIAN PERFORMANCE.

8. FRENCH EXPORT SALES TO ALGERIA WERE NOT DISCUSSED AT ANY LENGTH DURING PONIATOWSKI'S VISIT, SINCE MAJOR ALGERIAN ECONOMIC AND INDUSTRIAL OFFICIALS (INCLUDING MINISTER OF INDUSTRY ABDESELLAM) HAD JUST FINISHED SEVERAL WEEKS' VISIT TO FRANCE DURING WHICH WHOLE RANGE OF INDUSTRIAL AND TECHNICAL COOPERATION PROJECTS WERE DISCUSSED WITH FRENCH INDUSTRIAL AND GOVERNMENTAL FIGURES.

9. MOVING TO MULTILATERAL QUESTIONS, PAOLI SAID PONIATOWSKI HAD ALMOST SUCCEEDED IN ALLAYING ALGERIAN OPPOSITION TO GISCARD'S PROPOSED PRODUCER-DC-LDC CONFERENCE BUT HAD NOT BEEN ABLE TO GAIN ALGERIAN APPROVAL FOR IT. HE SAID THAT TO THE BEST OF HIS KNOWLEDGE, THE FRENCH VIEW THAT SUCH A CONFERENCE SHOULD BE DEVOTED EXCLUSIVELY TO ENERGY QUESTIONS HAS NOT CHANGED, BUT HE CONCEDED THAT FRANCE MIGHT BE WILLING TO INCLUDE OTHER RAW MATERIALS, AS IS THE ALGERIANS DESIRE, IN A TRIANGULAR INTERNATIONAL CONFERENCE. HE NOTED THAT FRENCH AND ALGERIAN INTERESTS ON OIL PRICES ARE DIVERGENT AND THAT THE FRENCH DO NOT WISH TO SEE THEIR PROPOSITIONS ON ENERGY DROWNED IN OTHER MATTERS, AS WAS THE CASE AT THE SPECIAL UNGA.

10. THE QUESTION OF OIL SUPPLIES FOR FRANCE WAS DISCUSSED ONLY PERIPHERALLY ACCORDING TO PAOLI. THIS WAS BECAUSE PONIATOWSKI WAS NOT ACCOMPANIED BY OIL EXPERTS AND BECAUSE SUCH QUESTIONS ARE TREATED DIRECTLY BETWEEN SONATRACH AND FRENCH OIL FIRMS. PAOLI EXPRESSED SOME APPREHENSION THAT THE STILL SOMEWHAT PRIVILEGED POSITION OF FRENCH FIRMS IN THE ALGERIAN OIL MARKET MIGHT BE THREATENED IF ALGERIA DENOUNCES EXISTING ACCORDS AS IT LEGALLY MAY IN 1975 EVEN THOUGH RENEGOTIATION OF THE

CFP-SONATRACH AGREEMENT HAS ALREADY BEGUN.

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11. COMMENT: THE PONIATOWSKI VISIT APPEARS TO HAVE BEEN AN IMPORTANT, IF NOT SPECTACULAR, STEP IN THE PROCESS OF IMPROVING A RELATIONSHIP WHICH BOTH COUNTRIES VALUE HIGHLY. THE FRENCH ARE ACUTELY AWARE OF THE DIFFICULTIES OF DEALING WITH THE SENSITIVE ALGERIANS BUT APPEAR TO BE PREPARED TO MAKE THE EXTRA EFFORT THEIR STILL ENORMOUS INTERESTS IN ALGERIA SEEM TO REQUIRE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PARIS29701
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740359-0808
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741243/aaaablbl.tel
Line Count: 239
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 02 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 MAY 2002 by elyme>; APPROVED <26 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF FRENCH INTERIOR MINISTER PONIATOWSKI TO ALGERIA
TAGS: PFOR, ENRG, FR, AG, (PONIATOWSKI)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005